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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values. Current Studies. Surveys. Forecasts.

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 39

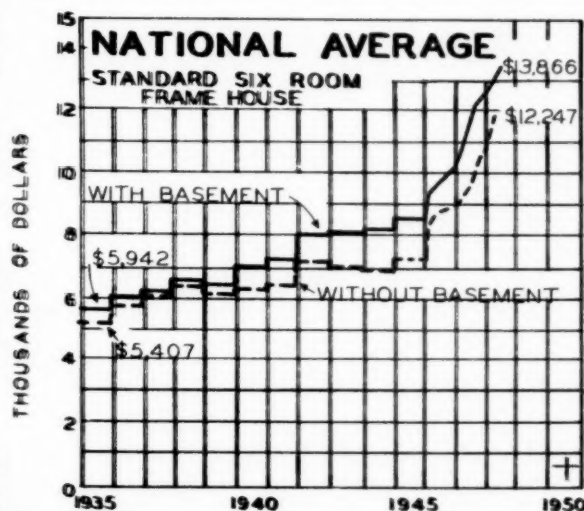
GOVERNMENT LENDING POLICIES AND HIGH CONSTRUCTION COSTS

OUR present high construction costs are an excellent example of how a planned economy can get out of kilter. Fortunately, we do not have so rigidly planned an economy as Great Britain, and the indications are that for the next few years the trend will be toward less government planning. During the past few years, however, our government has gradually adopted the totally un-American concept that the housing of the people is a function of government, and has proceeded accordingly. Some of the measures undertaken by government were correct and beneficial - at the time they were initiated. Others were not. The HOLC and the FHA as originally inaugurated were beneficial at the time. During the war there was reason for some rent control. One of the most distressing characteristics of government agencies, however, is their inability to recognize the end of their usefulness and disband. Once established, most of them cling with the fearful tenacity of the Old Man of the Sea.

Some of the government agencies established in the last decade or so and dealing directly with housing are: Home Loan Bank Board, Federal Housing Administration, Veterans Administration, Public Housing Administration, National Housing Council, Farm Credit Administration, Farmers Home Administration, Production and Marketing Administration, Federal National Mortgage Association, and the Office of the Housing Expediter. Within the past year or two some of these bureaus have terminated their housing activities (the Labor Branch of the Production and Marketing Administration operated farm labor camps for migratory workers and their families; this program was stopped by Public Law 298, 80th Congress, July 31, 1947), but the most inflationary of these agencies, the FHA, the VA and the Office of the Housing Expediter are still flourishing. While we are not in complete disagreement with the purposes for which these agencies were formed, we do object strenuously to the policies they have developed.

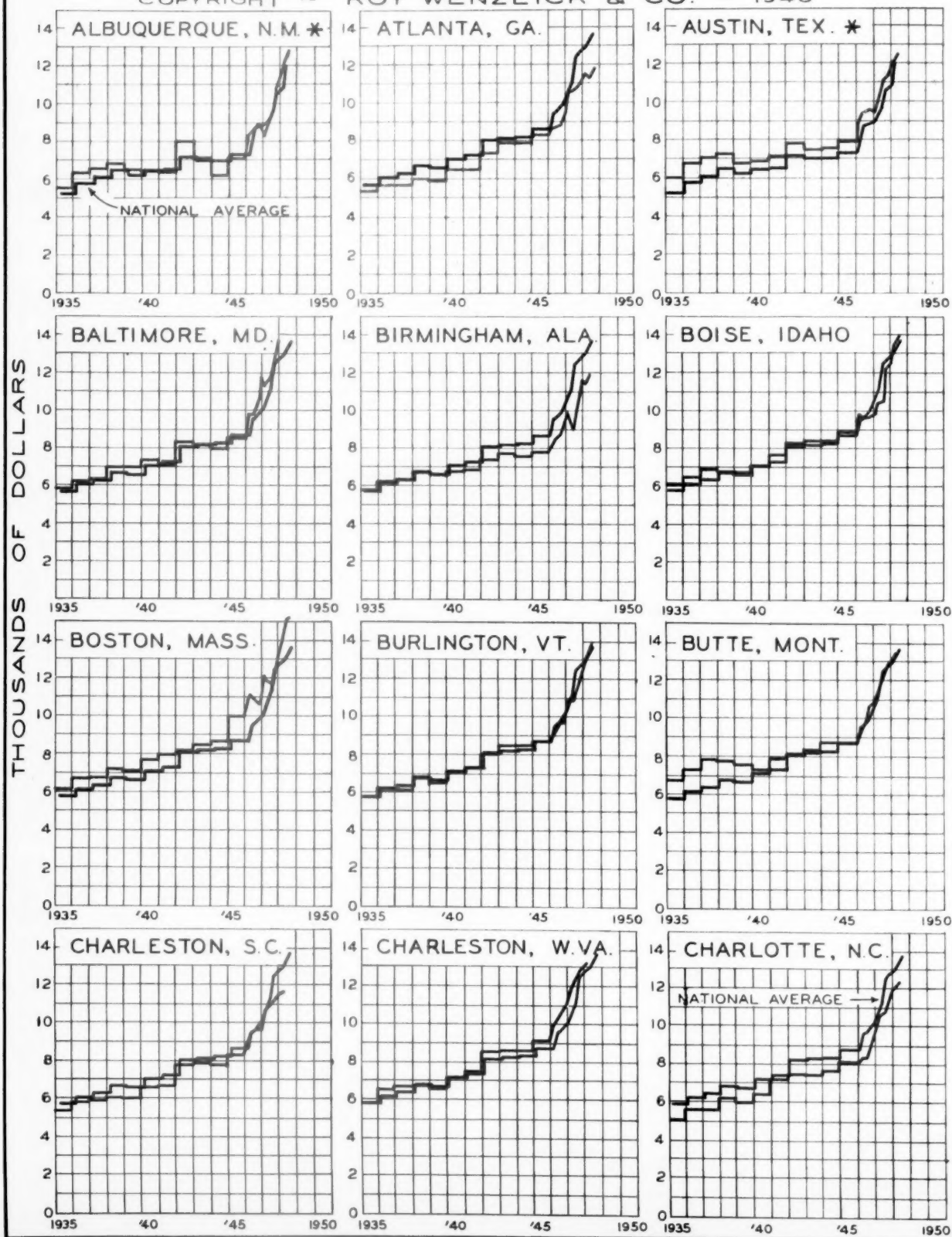
Although rent controls have been and still are popular with most of the voting public, it is our contention that they have been highly inflationary. In one direction

(cont. on page 336)



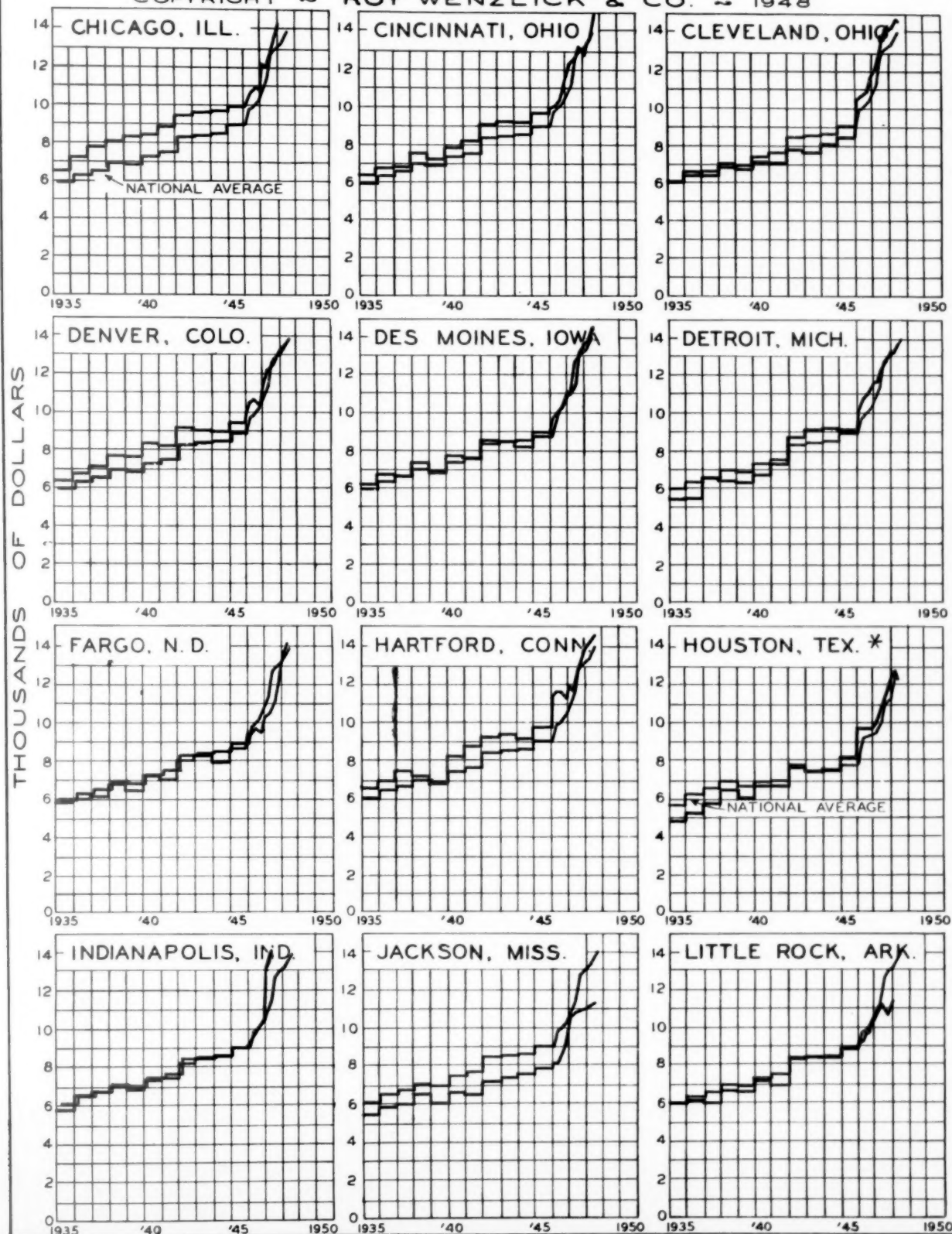
TOTAL CONSTRUCTION COSTS OF A STANDARD SIX ROOM FRAME HOUSE BY CITIES

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TOTAL CONSTRUCTION COSTS OF A STANDARD SIX ROOM FRAME HOUSE BY CITIES

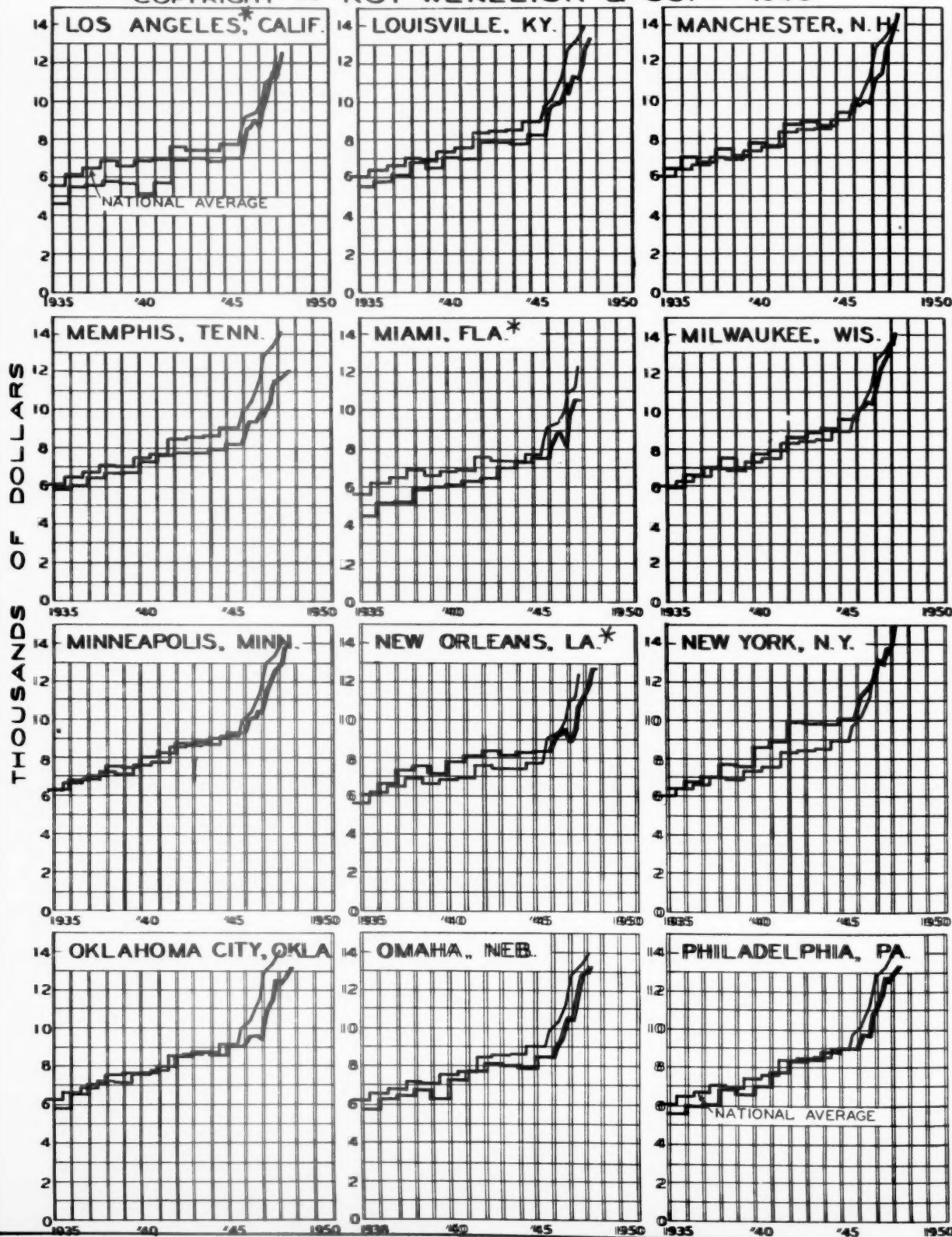
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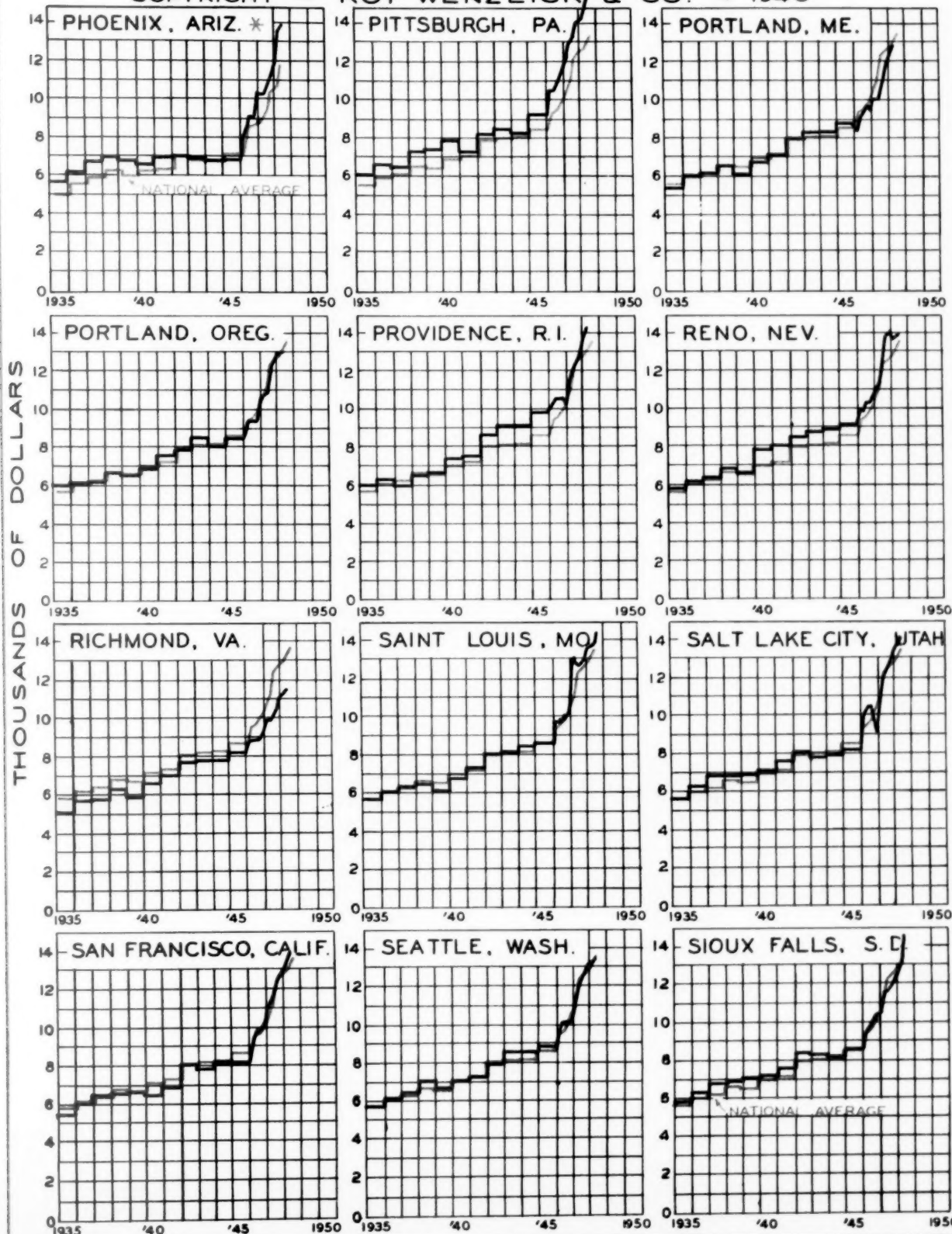
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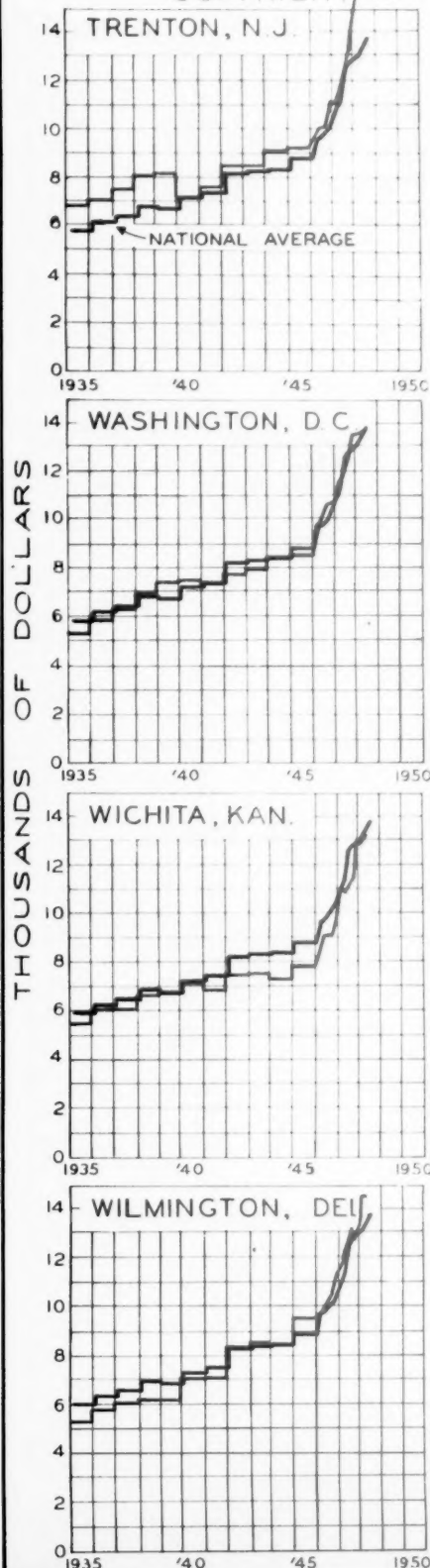
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TOTAL CONSTRUCTION COSTS OF A STANDARD SIX ROOM FRAME HOUSE BY CITIES

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(cont. from page 331)

they have intensified the housing shortage, thereby contributing greatly to the rise in the price of "old" houses. In another direction they have kept rents abnormally low in a period of rapidly rising wages, thereby feeding more purchasing power into the stream of lightly controlled, or uncontrolled, consumer goods.

While their advocates have insisted on rigid rent controls ostensibly to combat the rising cost of living, it is our belief that if rents had been allowed to go up with the other cost of living items, these other items would not have gone so high - if for no other reason than that people would not have had the excess purchasing power to push them so high. If the rent index had been allowed to rise at only one-half the rate other cost of living items rose, between \$5 and \$6 billion more rent would have gone to property owners in the past three years. It is a reasonable assumption that with their properties returning a reasonable amount, a good portion of this \$5 or \$6 billion would have been invested in new construction on a sound basis, thereby providing more rental units. It also seems a safe assumption that if rents had been allowed to rise, a great many owners of rented houses would not have sold their properties but would have continued to rent them.

As the housing shortage became more acute and as servicemen began to enter civilian life in increasing numbers, the government decided that drastic measures had to be taken. Therefore, in the midst of a labor shortage, a material shortage and a housing shortage, it launched a campaign of almost unlimited loan guarantees.

An excerpt from a bulletin issued by the Housing and Home Finance Agency, describing guarantees made by the Veterans Administration, states:

- b. A 100% guarantee on a second loan where the primary loan is being insured by a Federal agency (in effect this generally means an FHA insured loan). This second loan may not exceed 20% of purchase price or cost, and is designed to make 100%, or very close to 100%, mortgage financing possible, thus eliminating down payments.

In a report "Housing in America," prepared for the Joint Committee on Housing, the following points are made by Senator Harry P. Cain, a member of the Committee:

* * * T. B. King, Director, Loan Guaranty Service, Veterans' Administration, said at our Washington hearing: "There was also no doubt, during part of this period at least, that the credit opportunities, which were made available by the loan-guarantee provisions of the GI bill themselves, contributed to the upward pressures upon the structures of housing costs and prices."

* * * Under Title VI, which was originally enacted to assist the defense and war housing program, and amended in 1946 to apply to mortgages on new housing, and which is recognized as an emergency program to permit builders and lenders to construct housing under present conditions, appraisals do not include a finding as to long-term value. Instead of an appraisal, a construction-cost analysis is the basis for establishing mortgage amounts to be insured.

* * * In short, more than one-half of the huge amount of current mortgage credit, which is at the rate of about \$1,000,000,000 per month according to the Federal Reserve, has Government guaranty or insurance behind it.

Analysis of the testimony taken from the 35 hearings held by this committee, together with independent inquiry into this subject by the staff, the committee feels it to be its duty to point out to Congress the possible calamity that would befall the country, under the present housing credit set-up, should there be any substantial contraction in the volume of business and of the national income. The borrower would find himself with reduced income, resulting perhaps in the loss of his home, and the Government most certainly would find itself with thousands of homes on its hands in a deflated market.

With a more equitable and progressive administration of rent controls, the housing shortage would not have become so acute, therefore the demand would not have become so great and, without the wide-open credit sponsored by the government, real estate prices and construction costs could not have risen to the levels they have.

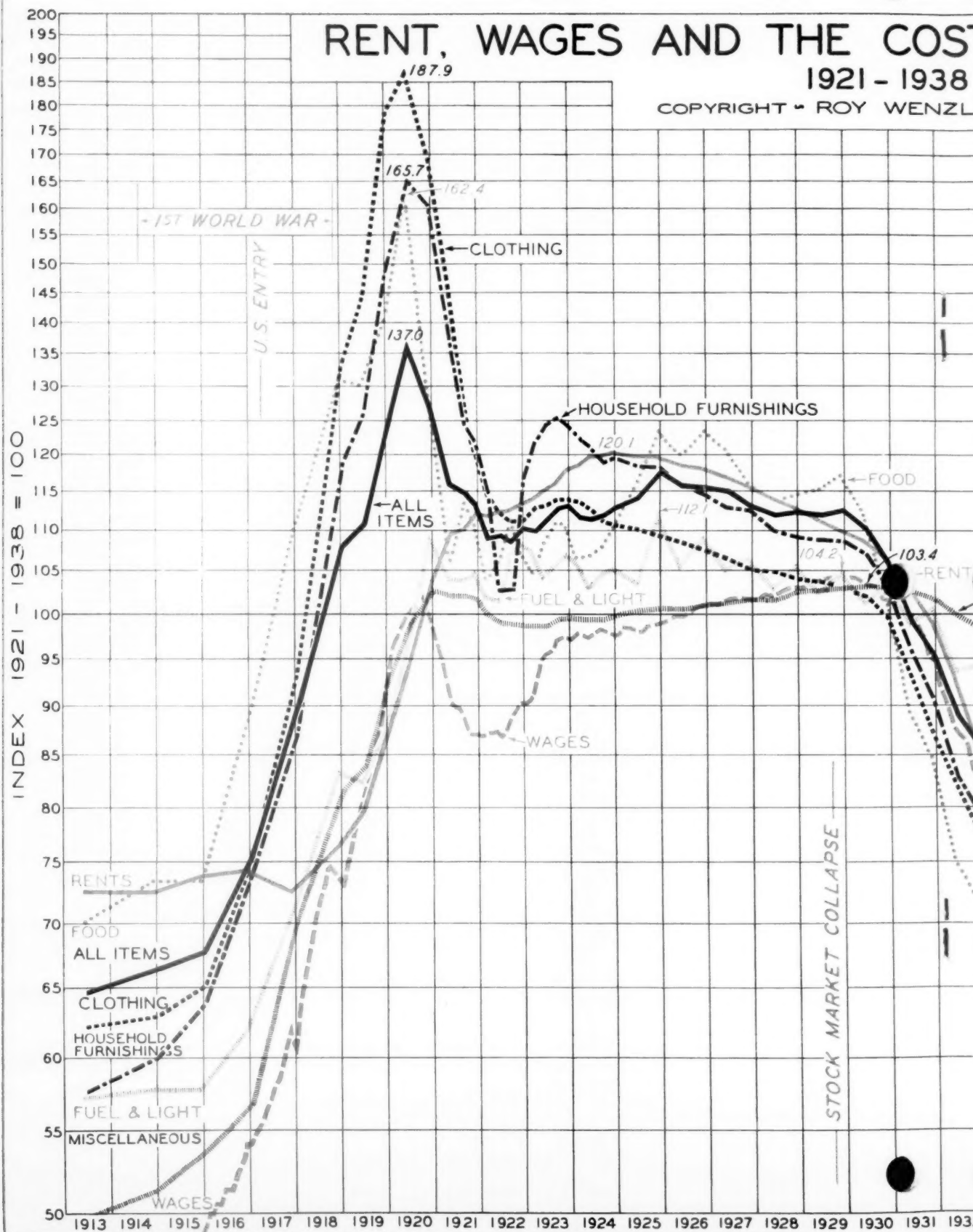
Less restraint on rents and more restraint on credit would have allowed the housing shortage and the ensuing boom to develop more slowly and in a more or less orderly fashion. The extension of tremendous credit in a scarcity housing market where all available labor and materials were already employed could build very few more houses. Since easy credit could do very little toward increasing production, its main force has spent itself by forcing prices higher.

(cont. on page 345)

RENT, WAGES AND THE COST

1921 - 1938

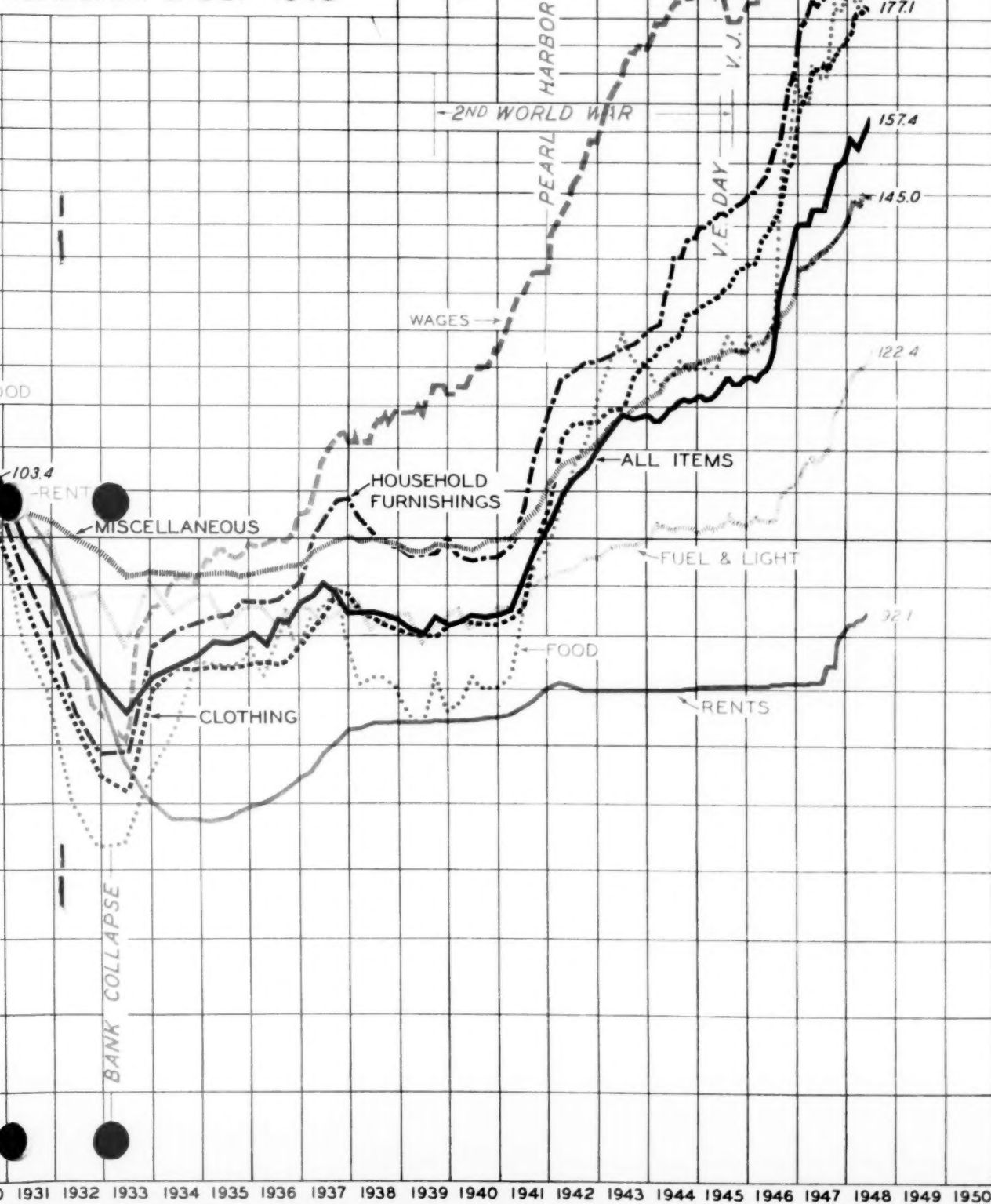
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COST OF LIVING IN THE U.S.

1938 = 100

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RENT, WAGES AND THE COST OF LIVING IN THE UNITED STATES 1921 - 1938 = 100

Date	All Items	Food	Clothing	Rent	Fuel, Ice, & Elec.	Household-nishings	Misc.	Wages
1913 Year	64.8	70.1	62.4	72.6	57.1	57.7	50.0	45.9
1914 Dec. 15	66.5	73.5	63.0	72.6	57.7	60.1	51.5	46.3
1915 Dec. 15	67.8	73.5	65.2	73.8	57.7	63.9	53.7	46.6
1916 Dec. 15	72.5	88.3	74.9	74.3	62.0	73.7	56.7	54.1
1917 Dec. 15	86.5	110.1	93.0	72.7	70.9	86.9	70.3	62.4
1918 Dec. 15	108.1	131.2	133.0	76.5	83.5	118.3	81.7	77.1
1919 Dec. 15	110.9	130.3	144.1	79.5	82.5	125.8	84.0	80.6
1920 Dec. 15	124.0	140.5	178.8	86.3	87.5	148.9	92.7	91.3
1921 June 15	137.0	182.4	187.9	93.8	96.7	165.7	99.0	99.6
1921 Dec. 15	128.9	128.6	169.0	103.6	109.9	160.5	102.9	98.6
1922 May 15	116.0	106.3	145.4	109.8	104.1	138.2	102.3	91.7
1922 June 15	109.5	106.2	125.5	110.3	104.0	124.8	102.3	88.7
1922 Sept. 15	108.8	111.1	111.2	112.5	106.9	103.0	101.8	87.0
1922 Dec. 15	113.2	110.8	120.2	112.1	105.0	121.5	101.8	87.0
1923 Mar. 15	110.1	105.0	113.0	113.8	107.6	121.8	98.8	91.5
1923 June 15	111.3	106.6	113.2	115.0	104.6	124.4	98.8	91.5
1923 Sept. 15	112.9	111.1	114.0	116.0	105.8	125.5	99.5	92.2
1923 Dec. 15	113.2	110.6	114.0	117.8	107.1	124.4	99.8	97.6
1924 Mar. 15	111.8	106.6	113.7	118.5	105.9	122.5	98.5	98.0
1924 June 15	111.6	106.8	117.7	118.7	103.3	121.2	99.6	97.4
1924 Sept. 15	112.0	108.0	111.3	118.9	104.8	119.2	99.6	98.3
1924 Dec. 15	115.0	110.5	110.8	120.1	105.4	119.8	100.0	98.0
1925 June 15	114.4	115.8	110.3	119.9	103.9	118.6	100.6	98.3
1925 Dec. 15	117.8	123.3	109.6	119.7	112.1	118.4	100.9	99.0
1926 June 15	115.9	120.0	108.7	118.6	105.9	115.8	100.8	99.8
1926 Dec. 15	115.6	123.4	107.6	118.1	106.4	114.7	101.1	101.1
1927 June 15	115.2	120.8	106.7	117.0	105.3	112.9	101.4	101.6
1927 Dec. 15	113.2	116.2	105.2	115.7	106.7	112.5	101.8	101.6
1928 June 15	112.0	113.8	105.0	114.0	103.3	110.1	101.8	102.2
1928 Dec. 15	112.3	114.6	104.3	112.9	105.7	109.4	102.7	102.7
1929 June 15	112.0	115.3	103.9	111.3	102.7	109.0	102.9	103.7
1929 Dec. 15	112.6	117.3	103.2	110.1	104.8	108.6	103.1	104.2
1930 June 15	110.3	112.4	102.3	108.7	101.5	107.2	103.4	103.6
1930 Dec. 15	105.8	102.2	98.5	106.3	103.8	103.0	103.1	101.7
1931 June 15	99.2	89.6	93.2	103.0	99.2	95.8	102.6	99.6
1931 Dec. 15	95.5	84.7	86.7	99.0	100.9	90.5	101.8	95.0
1932 June 15	89.2	75.3	82.0	92.8	85.8	82.8	100.1	87.8
1932 Dec. 15	85.7	72.0	77.5	85.8	94.6	79.4	96.5	83.1
1933 June 15	83.2	72.2	76.3	78.9	95.9	79.6	96.2	80.7
1933 Dec. 15	86.1	77.3	85.0	75.5	95.9	89.0	96.5	91.5
1934 June 15	87.3	81.7	87.0	74.0	92.6	90.7	96.3	95.2
1934 Nov. 15	88.2	83.7	86.9	74.0	94.0	91.4	96.2	95.7
1935 Mar. 15	89.6	87.5	87.1	73.9	94.3	92.0	96.5	97.8
1935 July 15	89.4	87.2	87.0	74.1	94.1	92.3	96.6	98.4
1935 Oct. 15	89.8	87.7	87.2	74.5	92.8	93.5	96.3	98.1
1936 Jan. 15	90.6	89.0	87.6	74.9	93.0	93.6	96.5	99.4
1936 Apr. 15	89.6	86.3	87.7	75.2	93.0	93.5	96.7	99.1
1936 July 15	90.0	90.0	87.7	76.0	91.5	93.7	97.0	100.1
1936 Sept. 15	91.5	92.0	87.8	76.5	92.3	94.4	97.3	99.9
1936 Dec. 15	93.3	89.1	89.2	77.3	92.8	95.6	97.4	102.5
1937 Mar. 15	94.1	92.1	90.8	77.9	93.0	98.0	98.5	103.7
1937 June 15	95.6	92.0	92.3	78.5	91.6	102.0	99.2	108.6
1937 Sept. 15	94.4	94.6	94.3	80.5	92.3	104.0	100.0	110.7
1937 Dec. 15	92.5	90.0	94.3	81.6	92.9	104.4	100.3	111.9
1938 Mar. 15	92.5	85.5	92.6	81.8	93.5	102.2	99.9	112.3
1938 June 15	92.5	86.2	92.0	82.1	91.0	100.6	100.1	111.1
1938 Sept. 15	91.3	86.1	91.3	82.3	91.6	99.5	99.8	113.4
1938 Dec. 15	91.8	85.3	90.8	82.2	92.3	98.3	99.4	114.8
1939 Mar. 15	90.8	83.0	90.4	82.2	92.4	98.5	98.8	114.6
1939 June 15	90.4	82.0	90.3	82.2	90.0	98.3	98.7	115.7
1939 Sept. 15	92.1	88.3	90.3	82.3	91.0	98.7	99.5	115.7
1939 Dec. 15	91.3	85.2	91.2	82.3	92.2	100.2	99.3	118.0
1940 Mar. 15	91.5	83.9	91.8	82.4	92.8	98.1	99.2	116.9
1940 June 15	92.1	88.2	91.5	82.4	91.0	97.8	98.9	118.0
1940 Sept. 15	92.0	85.3	91.4	82.5	91.6	98.0	99.8	120.4
1940 Dec. 15	92.2	85.3	91.4	82.6	93.0	98.1	100.1	122.7
1941 Mar. 15	92.7	86.3	91.9	82.8	93.0	99.1	100.2	125.0
1941 June 15	95.9	92.9	93.0	84.1	93.6	103.8	101.8	129.6
1941 Sept. 15	99.0	97.2	93.5	89.5	95.6	109.6	103.2	131.9
1941 Dec. 15	101.3	99.3	103.1	85.2	96.2	114.1	105.9	136.7
1942 Mar. 15	104.6	104.0	111.1	85.7	96.5	118.6	108.3	141.2
1942 June 15	106.7	108.2	112.8	85.5	96.9	119.6	109.0	145.8
1942 Sept. 15	110.9	111.0	113.0	85.1	98.1	120.9	109.8	149.3
1942 Dec. 15	110.4	116.3	113.1	85.1	98.1	120.9	111.0	155.1
1943 Mar. 15	112.3	120.7	114.7	85.1	99.2	121.8	112.7	160.9
1943 June 15	114.2	124.3	114.8	85.1	99.4	122.6	113.8	164.3
1943 Sept. 15	113.6	120.6	113.2	85.1	99.4	123.3	115.1	169.0
1943 Dec. 15	114.1	120.3	121.0	85.1	101.0	125.0	116.1	170.1
1944 Mar. 15	113.4	117.7	123.0	85.1	101.5	123.1	117.1	174.8
1944 June 15	115.0	119.9	124.2	85.1	101.2	135.3	119.6	177.1
1944 Sept. 15	116.0	120.3	127.2	85.2	101.4	137.5	120.4	178.2
1944 Dec. 15	116.4	120.5	128.1	85.4	101.0	139.8	121.1	180.5
1945 Mar. 15	116.2	119.2	129.2	85.4	101.6	141.2	121.6	181.7
1945 June 15	118.1	123.9	130.7	85.4	101.7	142.2	122.1	182.9
1945 Sept. 15	118.0	122.2	133.1	85.4	102.0	143.1	122.6	174.8
1945 Dec. 15	119.0	124.0	134.4	85.4	101.9	145.0	122.7	176.2
1946 Mar. 15	119.4	123.0	137.8	85.4	102.0	146.9	123.9	181.7
1946 June 15	122.2	127.8	141.3	85.5	102.0	152.7	125.9	188.6
1946 Sept. 15	133.6	152.9	149.0	85.6	103.7	161.5	127.9	195.6
1946 Dec. 15	140.6	165.0	158.6	85.6	106.8	173.0	134.0	200.2
1947 Jan. 15	140.3	161.0	160.0	85.6	106.2	174.1	134.2	200.2
1947 Feb. 15	140.2	160.0	162.0	85.7	108.3	175.1	134.2	201.4
1947 Mar. 15	143.1	166.0	165.7	85.8	108.4	176.0	136.0	202.5
1947 Apr. 15	143.0	164.9	165.9	85.8	109.2	176.0	137.0	202.5
1947 May 15	142.7	164.2	165.8	86.0	108.4	177.1	136.2	206.0
1947 June 15	144.0	166.1	167.0	86.0	108.7	178.5	136.8	208.3
1947 July 15	145.2	166.6	166.1	86.0	110.3	180.2	137.2	208.3
1947 Aug. 15	146.8	172.3	167.2	86.1	114.3	180.1	137.5	210.6
1947 Sept. 15	149.9	176.6	168.7	89.4	115.1	183.3	138.3	212.9
1947 Oct. 15	150.2	176.8	170.0	90.7	115.6	183.6	139.4	214.1
1947 Nov. 15	151.2	177.8	171.0	90.7	117.2	184.6	140.5	216.4
1947 Dec. 15	153.1	181.5	171.9	90.9	118.0	187.1	142.0	219.9
1948 Jan. 15	154.7	183.9	172.8	91.3	119.6	188.0	144.0	217.6
1948 Feb. 15	153.5	175.6	173.5	91.3	120.0	188.7	144.0	216.7
1948 Mar. 15	153.0	177.5	176.5	91.6	120.3	190.5	143.8	219.6
1948 Apr. 15	155.2	182.4	176.6	91.6	120.7	190.5	143.8	219.6
1948 May 15	156.3	185.0	177.6	91.7	121.7	189.2	145.0	219.6
1948 June 15	157.4	187.8	177.1	92.1	122.4	190.4	145.0	219.6

THE THIRD ROUND AND THE COST OF LIVING

IT is fairly well known that misleading statements can be substantiated by the use of biased figures - or a conveniently chosen base of comparison. Advocates of wage increases or excess profits taxes, at the expense of business, have argued quite strenuously that profits were too high. They have based their argument that total corporate profits were too high on the comparison between the dollar profits made in 1947 and those made in 1939.

We feel that such a comparison is totally improper for two reasons. For one reason, total production, sales, and capital invested were all a great deal higher in 1947 than in 1939; therefore, profits should have been higher. For another reason, the force of the economic factors at work in the country was vastly greater in 1947 than in 1939. The year 1947 was a boom year - in 1939 we were just emerging from the depression. There were almost 50 per cent more people employed in 1947 in nonagricultural enterprises than in 1939. Personal income was almost three times as high in 1947 as in 1939. In 1939, over 50 per cent of all manufacturing corporations reported no net income. All in all, 1939 was not an appropriate year to compare with 1947.

The same misleading technique has been followed by the proponents of rent controls. The base period 1935 to 1939 was chosen as 100 for the purpose of showing that rent ceilings were above normal. Actually 1935 to 1939 were very poor years for rental properties. Vacancies were still high and the rent level was from 18 per cent to 27 per cent below the long-term average for the eighteen-year period from 1921 through 1938. In comparing rents and other cost of living items with wages in the study brought up to date on pages 338 and 339, we have chosen the base period of 1921 through 1938. As we have said before, we believe this period containing nine good years and nine bad years and representing one complete swing of the real estate cycle is the proper base to choose when comparing rent levels. On this base, rents are still almost 8 per cent below normal.

The favorite argument of the union leaders in their demands for higher wages is the increasing cost of living. Of course, they generally bolster this argument with President Truman's hastily-conceived wage theory of 1946 that business should pay the increase out of profits, and point out how "extortionate" profits are compared to those of 1939.

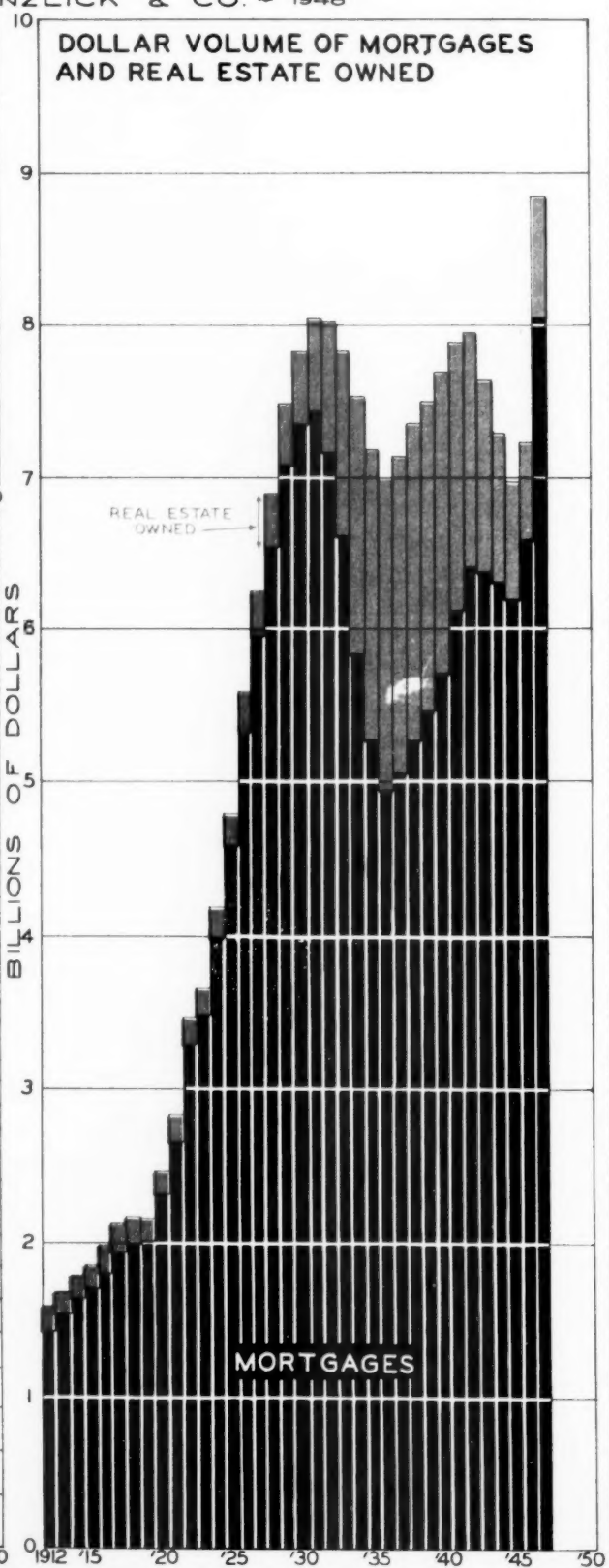
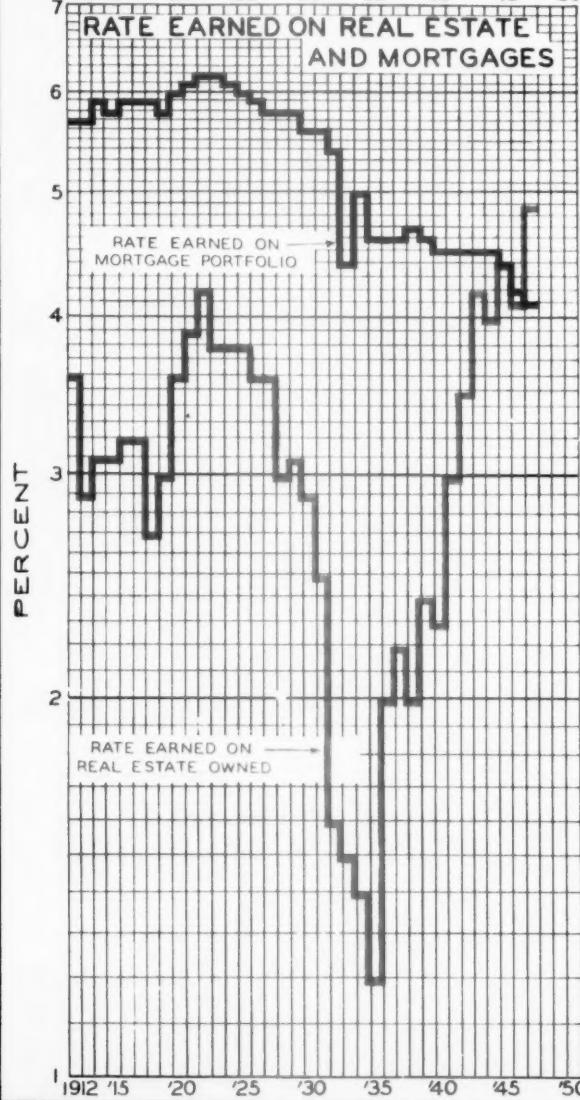
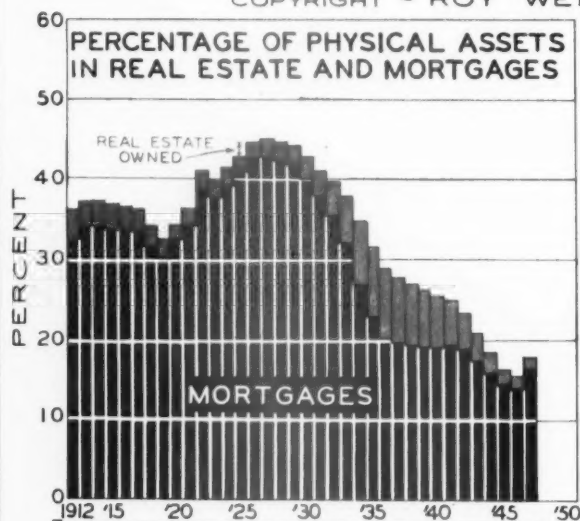
Instead of comparing wages and cost of living increases on the same basis they insist on for profits, they generally choose V-J Day as the basis for comparison. Since the cost of living items were more closely controlled during the war than wages, and for this reason were abnormally low, the end of price controls saw rapid increases in the cost of living. Since V-J Day wages have risen 37 per cent and the cost of living 33 per cent, but if we compare the increases since 1939 we find wages have risen 90 per cent and the cost of living 73 per cent. The answer one gets to this question, therefore, depends on just what period is chosen for the sake of the comparison.

We believe that the long-term average of the 1921-1938 period is also an excellent basis for this comparison. If we use this base, wages are now 120 points above
(cont. on page 345)

LIFE INSURANCE COMPANIES AS MORTGAGEES

BASED ON RECORDS OF THE 102 LARGEST COMPANIES IN THE UNITED STATES

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EARNINGS OF "LIFE INSURANCE MORTGAGES" DECREASE

THE table below and the charts opposite show that during 1947 the 102 largest life insurance companies in the United States earned 4.1 per cent on their real estate mortgages and 4.9 per cent on their real estate owned.† This continues the decrease in the mortgage interest rate, which has been falling since 1938, but shows a good increase in the rate earned on real estate owned.

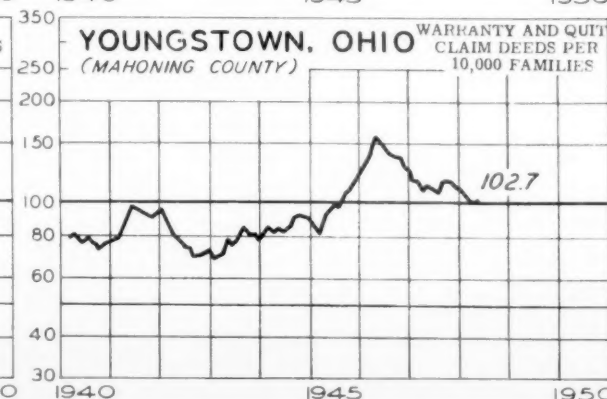
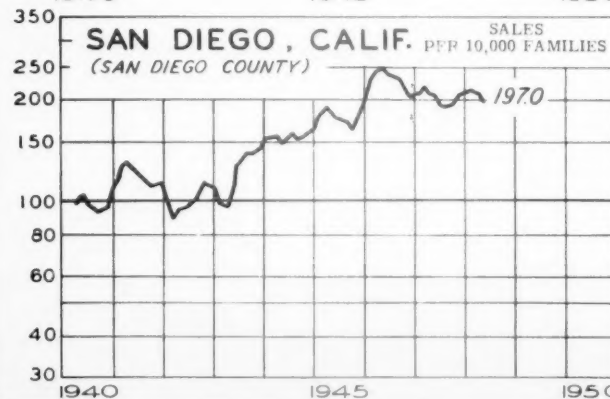
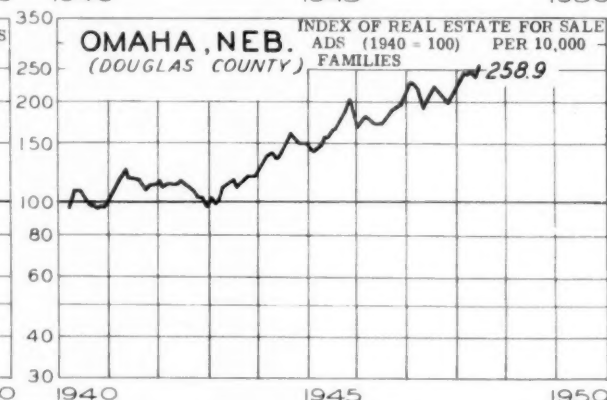
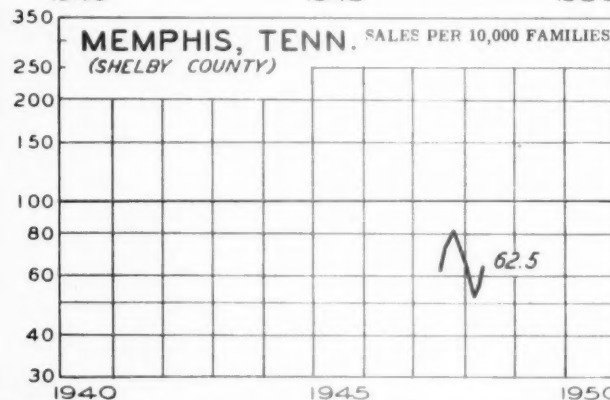
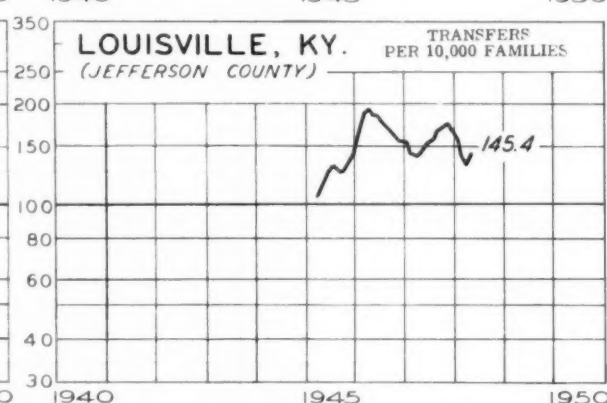
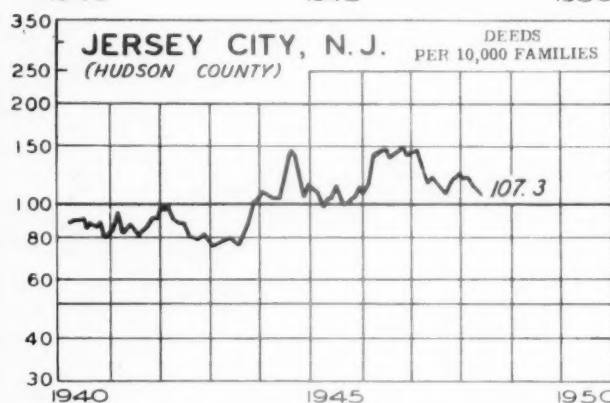
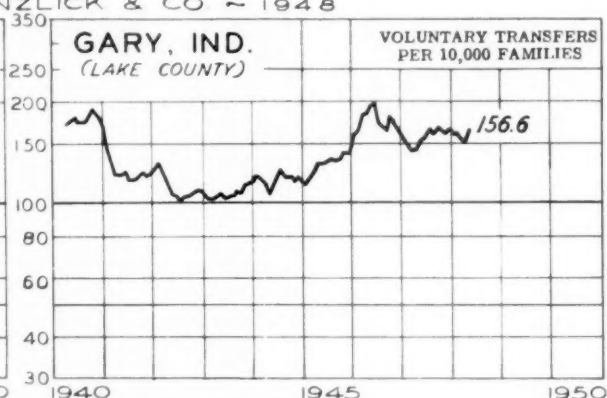
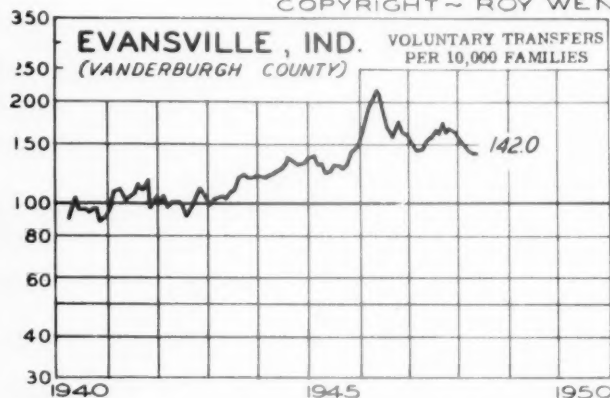
For the first time in several years the percentage of assets invested in mortgages increased (to 16.3 per cent). No doubt 1948 will show another increase in this column. There is also a good possibility that the rate earned on mortgages will increase slightly in 1948.

Year	REAL ESTATE OWNED†			REAL ESTATE MORTGAGES			GROSS ASSETS
	Amount	% of Assets	Rate Earned	Amount	% of Assets	Rate Earned	Amount
1912	\$ 160,569,000	3.7	3.6	\$1,428,408,000	32.6	5.7	\$ 4,380,287,000
1913	136,780,000	3.0	2.9	1,554,163,000	34.3	5.7	4,532,916,000
1914	153,536,000	3.2	3.1	1,645,193,000	34.2	5.9	4,810,508,000
1915	154,297,000	3.1	3.1	1,716,341,000	33.9	5.8	5,056,764,000
1916	154,762,000	2.9	3.2	1,823,639,000	33.8	5.9	5,393,288,000
1917	168,191,000	2.9	3.2	1,951,504,000	33.6	5.9	5,812,235,000
1918	167,979,000	2.7	2.7	1,997,864,000	31.7	5.9	6,298,610,000
1919	153,649,000	2.3	3.0	2,009,362,000	30.4	5.7	6,608,314,000
1920	153,255,000	2.1	3.6	2,322,840,000	32.4	6.0	7,157,228,000
1921	162,582,000	2.1	3.9	2,674,155,000	34.5	6.1	7,741,277,000
1922	167,996,000	2.0	4.2	3,297,285,000	39.2	6.2	8,421,028,000
1923	182,670,000	2.0	3.8	3,482,535,000	38.0	6.2	9,164,863,000
1924	204,450,000	2.0	3.8	3,993,030,000	39.4	6.1	10,121,992,000
1925	223,452,000	2.0	3.8	4,581,291,000	40.8	6.0	11,226,914,000
1926	253,933,000	2.0	3.6	5,328,266,000	42.7	5.9	12,464,137,000
1927	298,606,000	2.1	3.6	5,964,158,000	42.9	5.8	13,890,228,000
1928	351,878,000	2.3	3.0	6,555,276,000	42.4	5.8	15,471,387,000
1929	400,914,000	2.4	3.1	7,082,123,000	41.8	5.8	16,954,901,000
1930	461,949,000	2.5	2.9	7,363,990,000	40.2	5.6	18,303,897,000
1931	598,379,000	3.1	2.5	7,441,593,000	38.0	5.6	19,567,047,000
1932	846,179,000	4.2	1.6	7,171,656,000	35.5	5.4	20,219,239,000
1933	1,224,064,000	5.9	1.5	6,610,718,000	32.1	4.4	20,580,888,000
1934	1,704,119,000	7.9	1.4	5,827,270,000	27.1	5.0	21,482,878,000
1935	1,911,016,000	8.4	1.2	5,272,707,000	23.1	4.6	22,846,546,000
1936	2,056,667,000	8.5	2.0	4,960,385,000	20.4	4.6	24,288,552,000
1937	2,096,042,000	8.2	2.2	5,055,338,000	19.7	4.6	25,708,928,000
1938	2,092,890,000	7.7	2.0	5,265,537,000	19.4	4.7	27,140,640,000
1939	2,038,880,000	7.2	2.4	5,463,527,000	19.2	4.6	28,427,877,000
1940	1,958,289,000	6.5	2.3	5,723,867,000	19.1	4.5	29,931,809,000
1941	1,763,261,000	5.6	3.0	6,128,203,000	19.5	4.5	31,385,120,000
1942	1,554,732,000	4.6	3.5	6,399,808,000	18.9	4.5	33,823,517,000
1943	1,256,957,000	3.4	4.2	6,371,705,000	17.5	4.5	36,507,697,000
1944	984,205,000	2.5	4.0	6,316,596,000	16.0	4.5	39,452,518,000
1945	781,148,000	1.8	4.4	6,198,050,000	14.5	4.4	42,844,706,000
1946	664,321,000	1.4	4.1	6,579,888,000	14.2	4.2	46,251,774,000
1947	789,371,000	1.6	4.9	8,048,441,000	16.3	4.1	49,404,609,000

†Includes home office buildings.

INDICATORS OF REAL ESTATE ACTIVITY IN PRINCIPAL CITIES

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REAL ESTATE - 8 ADDITIONAL CITIES

FOR the past several years we have been expanding our statistical data on real estate activity. The purpose of this expansion is to enable us to publish real estate activity trends in a larger number of cities and to establish activity indexes in the various geographical divisions of the country. As we accumulate sufficient data, various cities will be added to our reports. We will soon begin to publish activity figures on four sections of the country. As these data are expanded, our area reports will be refined to cover an increasing number of sections.

The first group of "new" cities appears on the opposite page. It will be noticed that several different indicators are used - voluntary transfers per 10,000 families, in some cases; deeds per 10,000 families; sales per 10,000 families; and in one case, "For sale" ads per 10,000 families. These indicators are seasonally corrected and have been carefully chosen as the best information available to us at the time. We will continue to refine and improve them as rapidly as possible.

Six of the eight "new" cities reached the peak of their real estate activity in the first half of 1946. Of the two which do not show that trend, Memphis and Omaha, our available data on Memphis do not go that far back, and the index used in Omaha would show the drop quite some time after it actually occurred. This is because real estate advertising goes on at the same or at an increasing rate for several years after activity has started declining. Therefore, an index of real estate activity based on "For sale" ads, while at this time the only one available (in Omaha) is not so reliable as the indexes used in the other cities.

GOVERNMENT LENDING POLICIES AND HIGH CONSTRUCTION COSTS

(cont. from page 337)

On pages 332 through 335 are charts depicting quarterly construction costs of our standard six-room frame house in 52 cities. Usually reliable sources in five of these cities have failed to answer our inquiries in time for this issue. Every effort will be made to bring these cities up to date in subsequent reports.

Note: Union wage rates are used in these calculations throughout. We will appreciate it if clients can send us actual wages paid to carpenters, masons, and common labor in their cities during 1935 to 1940, or any portion of that period. The union wage level probably makes the cost in many of these cities too high during the earlier years.

THE THIRD ROUND AND THE COST OF LIVING

(cont. from page 341)

normal, while the cost of living is 57 points above normal.

The wage figures used in this comparison are based on the index compiled by the New York Federal Reserve Bank including all nonagricultural wages. Naturally, some have risen a great deal more than others. Since 1939 hourly wages in bituminous coal mining have advanced 107 per cent and in textile mills they have advanced 155 per cent, while in the wholesale trades they have risen only 89 per cent. In 93 per cent of the major industries, wage increases have exceeded the rise in cost of living. (Cost of living rise since 1939 = 73 per cent - figures from the Bureau of Labor Statistics.) Therefore, most of labor's arguments for increases in order to keep up with rising living costs have little statistical basis.

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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